

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 EB-11 STR-08 AGR-20 SP-03 L-03 CIAE-00

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DRAFTED BY ARA/PAN:HLSTEIN-ARA/CEN:DLAZAR

APPROVED BY ARA/CEN:DLAZAR

ARA/EP:MR. GUTHRIE (INFO)

ARA/NC:MR. MAISTO (INFO)

ARA/ECP:MR. STERN (INFO)

EB:MR. PILKAUSKAS (INFO)

STR:MR. STEINBACK (INFO)

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P R 161533Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY PANAMA PRIORITY

INFO AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY QUITO

AMEMBASSY BOGOTA

AMEMBASSY MANAGUA

AMEMBASSY GUATEMALA CITY

C O N F I D E N T I A L STATE 179885

E.O. 11652: GDS

TAGS: ETRD, PN

SUBJECT: BANANAS: UB PROPOSAL FOR POSSIBLE SOLUTION TO
BANANA WAR

1. DEPARTMENT OFFICERS MET AUGUST 14 WITH PAT DUDENSING,
UNITED BRAND VP(IN EFFECT, DIRECTOR OF SOCIAL PROGRAMS),
AND ASSISTANT DIRECTOR FOR GOVERNMENT RELATIONS, HUGH
MURRAY, AT DUDENSING'S REQUEST TO DISCUSS HIS PROPOSAL FOR
RECOMMENCING BANANA DISCUSSIONS BETWEEN GOP AND UB.
DUDENSING PREFACED HIS REMARKS BY CLAIMING THAT HE HAD
DISCUSSED THE PROPOSAL WITHIN COMPANY ONLY WITH JOHN
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TAYLOR, THAT HE WAS SPEAKING FROM TOP OF HIS HEAD AND

WITH THE PURPOSE OF ELICITING DEPARTMENT'S VIEWS. HE SPECIFICALLY STATED HIS IDEA HAD NOT BEEN DISCUSSED WITH UB V.P. GALLOP.

2. SUBSTANCE OF DUDENSING'S PROPOSAL HAD TWO ASPECTS. ON OPERATIONAL LEVEL, DUDENSING PROPOSES THAT UB, OVER SOME REASONABLE MID-RANGE TIME FRAME, DIVEST ITSELF OF SOME SIGNIFICANT PORTION OF ITS PRESENT HOLDINGS IN PANAMA (HE SUGGESTED UP TO 50 PERCENT) EITHER BY CONVERTING LAND TO OTHER USES (WITH ACCENT ON MAXIMIZING NUTRITIONAL OUPUT) OR BY CONVERTING UB INTEREST IN LAND TO OTHER SORTS OF INVESTMENTS OF INTEREST TO GOP FROM THE POINT OF VIEW OF PANAMANIAN DEVELOPMENT IN JOINT VENTURES WITH GOP. UNDERLYING THIS ASPECT OF PLAN IS DUDENSING'S BELIEF THAT REAL

BANANA PROBLEM IS OVER-SUPPLY, A VIEW THAT CLOSELY ACCORDS TO THAT EXPRESSED BY MANFREDO IN HIS DOCUMENT PRESENTED HERE DURING THE MFM.

3. ON A TACTICAL LEVEL, THIS PROPOSAL REPRESENTS DUDENSING'S ATTEMPT TO FOLLOW DEPOFF'S SUGGESTION OF AUGUST 9 THAT UB ATTEMPT TO RE-SEPARATE PUBLIC, POLITICAL ISSUES FROM PRIVATE DISCUSSIONS OF THE ECONOMIC ISSUES INVOLVED IN CURRENT NEGOTIATIONS. PUBLIC ANNOUNCEMENT OF CONVERSION OF AT LEAST SUBSTANTIAL PART OF UB'S HOLDINGS TO "PANAMANIAN" USES, IN DUDENSING'S VIEW, COULD FORM AT LEAST AN IMPORTANT PART OF A TORRIJOS "VICTORY STATEMENT", THUS ALLOWING PRIVATE TALKS ON BANANA TAX AND, PRESUMABLY, DETAILED EXPLORATION OF DUDENSING PROPOSAL TO PROCEED PRIVATELY AND UNDER MUCH LESS PRESSURE.

4. DEPOFFS INDICATED MILD ENCOURAGEMENT OF PROPOSAL AS BEING, AT LEAST, IN THE RIGHT DIRECTION, ALTHOUGH WE DISCOURAGED DUDENSING FROM THINKING ABOUT POSSIBILITY OF AID FINANCING FOR THE PLAN, A NOTION THAT HE HAD RAISED. DEPOFFS DEMURRED IN ADVISING DUDENSING ON HOW ELSE TO PROVIDE TORRIJOS WITH THIS TRIUMPH. DEPOFFS EXPRESSED VIEW THAT DECISIONS ON ISSUE WERE NOW BEING MADE BY TORRIJOS ON BASIS OF ADVICE PROVIDED BY MINCOM MANFREDO AND THAT MANFREDO'S ADVICE MOST LIKELY TEMPERED BY HIS CONFIDENTIAL

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PERCEPTIONS OF HIS OWN POLITICAL POSITION VIS-A-VIS TORRIJOS. ACCORDINGLY, TO HAVE GREATEST CHANCE FOR SUCCESS APPROACH BY UB SHOULD BE MADE AT HIGHEST LEVEL OF GOP BY HIGHEST LEVEL UB OFFICIAL, I.E., MR. BLACK, WHICH ALSO SHOULD SERVE TO SOME EXTENT AS EGO SATISFACTION FOR TORRIJOS. UB OFFICIAL CLAIMED BLACK HAD ALREADY ATTEMPTED TO DO THIS BUT THAT TORRIJOS HAD NOT INDICATED HE WISHED TO TALK.

5. DEPARTMENT OFFICERS THEN SUGGESTED POSSIBILITY OF UB OFFICIALS APPROACHING MINISTER BARLETTA, WHO CURRENTLY IS IN WASHINGTON FOR CIAP MEETING. DEPOFFS WARNED THAT BARLETTA MIGHT NOT BE RECEPTIVE TO UB'S APPROACH SINCE HE (1) HAD BEEN ON RECEIVING END OF EARLIER APPROACH BY UB VIA GOLDMAN-SACHS AND THUS MIGHT HAVE A BAD TASTE FROM THAT EPISODE; (2) UP TO NOW HE HAD NOT BEEN PRIMARILY INVOLVED IN THE ISSUE AND MIGHT NOT WISH TO GET INVOLVED, GIVEN CHANCES OF A FRACASO; AND (3) HE MIGHT WISH TO STAY UNINVOLVED FOR REASONS INVOLVING PERSONAL AMBITIONS AND COMPETITION WITH MANFREDO. HOWEVER, DEPOFFS STATED THAT DEPARTMENT WOULD BE WILLING TO DISCUSS IDEA OF ARRANGING MEETING BETWEEN DUDENSING AND BARLETTA AND

THAT AFTER IN-HOUSE DISCUSSION DEPOFFS WOULD INFORM DUDENSING OF DECISION. DEPARTMENT OFFICERS TOOK OPPORTUNITY IN CONJUNCTION WITH MENTION OF GOLDMAN-SACHS TO POINT OUT COUNTERPRODUCTIVE RESULT OF UB'S APPROACH.

6. DEPARTMENT OFFICERS MENTIONED DEMONSTRATION AT U.S. EMBASSY EARLIER IN THE DAY TO INDICATE THAT SITUATION MAY BE NEARING THE POINT OF NO RETURN AND THAT USG MAY SOON BE IN A POSITION WHERE IT COULD NOT BE OF ANY FURTHER HELP TO THE COMPANY. UB OFFICIALS WERE VISIBLY AFFECTED AND ASKED SEVERAL TIMES HOW MUCH MORE TIME WE THOUGHT THEY HAD TO MAKE ANOTHER APPROACH TO GOP. WITHOUT ACQUIESCING IN ANY ESTIMATE OF SPECIFIC NUMBER OF DAYS OR WEEKS, WE CONCURRED IN THEIR ESTIMATE THAT TIME REMAINING FOR SUCCESSFUL REINITIATION OF CONTACT WAS "VERY SHORT".

7. DEPOFFS SUBSEQUENTLY ASKED BARLETTA IF HE WOULD BE CONFIDENTIAL

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AVAILABLE TO MEET WITH DUDENSING AND LISTEN TO LATTER'S PROPOSAL. BARLETTA EXPRESSED WILLINGNESS TO MEET, BUT CONFIRMED OUR EARLIER ASSESSMENT THAT HE WAS NOT IN A POSITION TO BE OF MUCH ASSISTANCE. DEPARTMENT ADVISED DUDENSING OF BARLETTA'S WILLINGNESS AND THAT WE HAD NO OBJECTION TO DUDENSING ATTEMPTING TO SET UP PRIVATE MEETING WITH BARLETTA. WE WILL INFORM YOU OF OUTCOME OF THAT MEETING WHICH IS TAKING PLACE THURSDAY AFTERNOON. KISSINGER

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